GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:187
ANSWERED ON:03.08.2001
UTI`S ROLE IN SHARE MARKET
PUTTASWAMY GOWDA

Will the Minister of FINANCE be pleased to state:

(a) the control of the Union Government over the Unit Trust of India ;

(b) the details of the composition of UTI`s Board ;

(c) whether the Union Government had been warned sufficiently in advance regarding UTI`s role in the share market ;

(d) if so, the steps the Government have taken to make UTI`s functioning more realistic; and

(e) the role played by the representatives of IDBI, RBI and Government when UTI`s dubious role in share market was made public?

Answer

FINANCE MINISTER (SHRI YASHWANT SINHA)

(a) to (e) A statement is laid on the Table of the House.

Statement referred to in the reply to Lok Sabha Starred Question No. 187 by Shri G. Putta Swamy Gowda for answer on 3rd August 2001 regarding UTI`s role in Share Market

(a) : Under the UTI Act, UTI is managed by its Board of Trustees.The Central Government appoints the Chairman of UTI in consultation with the Industrial Development Bank of India (IDBI). From May 1997 till 21st July, 2001, Government did not have a nominee on the UTI Board.

(b) : Section 10 of the UTI Act provides that the Board of Trustees shall consist of the following, namely,

(i) the Chairman to be appointed by the Central Government in consultation with the Development Bank;

(ii) one trustee to be nominated by the Reserve Bank;

(iii) four trustees to be nominated by the Development Bank of whom not less than three shall be persons having special knowledge of, or experience in commerce, industry, banking, finance or investment;

(iv) one trustee to be nominated by the Life Insurance Corporation;

(v) one trustee to be nominated by the State Bank;

(vi) two trustees to be elected in the prescribed manner by the contributing institutions; and

(vii) an executive trustee to be appointed by the Development Bank provided that if the appointment of the Chairman is whole time, it shall not be necessary to appoint an executive trustee.

The present composition of the Board of Trustees is at Annex.

(c) & (d) : As there are implications for investors and for the capital markets, Ministry of Finance has been in touch with UTI with respect to UTI`s exposure to the equity market and early implementation of the Deepak Parekh Committee recommendations.UTI`s consistent response was that they are monitoring the situation and taking appropriate steps to implement the Deepak Parekh Committee recommendations. At no time prior to 30th June, 2001 did UTI communicate that they may need to freeze the US`64 sales and repurchases.

(e) IDBI has intimated vide their faxes dated 31st July, 2001 and 1st August, 2001 that during March/April 2001 when stock market irregularities came to light, UTI was advised by IDBI on 4th May, 2001 to submit a detailed report on investments made by UTI in certain scrips, viz., Zee Telefilms, Himachal Futuristic Communication Ltd., DSQ Software, Global Tele Systems, etc. and to get a special audit conducted by its statutory auditors on these transactions.
Annex to Lok Sabha Starred Question No. 187 for reply on 3rd August, 2001 regarding UTI`s role in Share Market by Shri G. Putta Swamy Gowda

Board of Trustees as on July 30, 2001.

1. Shri M. Damodaran, Chairman, UTI

2. Dr. J. Bhagwati, Joint Secretary, Ministry of Finance, Deptt. of Economic Affairs, IDBI Nominee (Appointed on 21 July, 2001)

3. Shri S. K. Chakrabarti, Acting Chairman and MD, IDBI

4. Shri K. L. Khetarpaul, Executive Director, RBI

5. Shri G. N. Bajpai, Chairman, LIC
6. Shri Janki Ballabh, Chairman, SBI

7 Shri Rajendra P. Chitale - Chartered Accountant, IDBI Nominee

8. Dr. V. V. Desai - Economist - IDBI Nominee

9. Mr. D.T. Pai, Chairman, Syndicate Bank - Elected by contributing institutions.
10. Elected Member - Vacant
11. Executive Trustee - Vacant